



The Commonwealth of Massachusetts  
Office of the Comptroller  
One Ashburton Place, Room 901  
Boston, Massachusetts 02108

MARTIN J. BENISON  
COMPTROLLER

PHONE (617) 727-5000  
FAX (617) 727-2163  
[www.mass.gov/osc](http://www.mass.gov/osc)

**MMARS Policy: Payroll**

**Issue Date: July 1, 2004**

**Date Last Revised: November 1, 2006**

## **Types of Payments: Retroactive Payments**

### **Executive Summary**

There are generally two types of retroactive payments:

- Those that are the result of a collective bargaining agreement and supported by a reserve account; and
- Those that are the result of other retroactive compensation for an individual or groups of individuals.

### **Considerations**

This policy applies to all Commonwealth Branches and Departments.

### **Policy**

#### **Collective Bargaining Agreement Payments**

For those retroactive payments that are the result of a collective bargaining agreement and supported by a reserve account, the Secretary of Administration and Finance usually transfers reserve funds to Department accounts based on recommendations from the Fiscal Affairs Division (FAD). In the absence of reserve funds, Departments must use other legally available funds authorized to make payments for the fiscal year in which services were rendered. Reserve transfers usually cover the exact amount of any required payments for services rendered in fiscal years prior to the one in which an agreement is implemented.

For payments related to employee services rendered in the fiscal year in which an agreement is implemented (i.e., the "current" fiscal year), Departments usually are expected to use their own funds to the extent possible, and reserve transfers are limited to covering payments for which Department funds are determined to be insufficient. The Human Resources Division issues specific written guidance regarding reserve transfers for Executive Department agreements usually at the time an agreement is

implemented. Specific guidance regarding reserve transfers for other agreements is available from FAD at the time an agreement is implemented.

### **Other Retroactive Compensation**

There are also retroactive payments made to individuals or groups of individuals based on legal decisions that are usually the result of litigation, arbitration, mediation or internal Department determination. All these payments are subject to appropriation and should be paid during the year the decision was made. For example, if the decision is made in FY2003, the payment should be made from FY2003 funds. This compensation may be paid from one of three funding sources:

1. Current Department appropriated funds for the purpose of the retroactive payments or for payroll expenditures
2. Settlement and judgment account
3. Supplemental appropriated funds for the purpose of the retroactive payments or for payroll expenditures

Departments can seek assistance from the Comptrollers office as to which funding source would be appropriate for their type of retroactive compensation.

### **Internal Controls**

#### **Information Sources**

- Related Procedure – None
- Legal Authority
  - 815 CMR 5.00
  - Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
  - Collective Bargaining Awards
- Attachments - None
- Links - None
- [Contacts – CTR Help Desk](#)
  
- **November 1, 2006** – Removed language referencing Knowledge Center and updated relevant links to Mass.gov/osc portal site.